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*Published in:*  
Central European Journal of Public Policy

*Publication date:*  
2013

*Document version*  
Early version, also known as pre-print

*Citation for published version (APA):*  
Landes, X. (2013). Positional Concerns and Institutions: Some Arguments for Regulation. *Central European Journal of Public Policy*, 7(2), 60-87. <http://www.cejpp.eu/index.php/ojs/article/view/118>

# POSITIONAL CONCERNS AND INSTITUTIONS: SOME ARGUMENTS FOR REGULATION

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**Abstract:** *People care about their relative standing in the distribution of various goods and positions. This fact is increasingly discussed in heterodox economic circles because it challenges the view of a rational, self-interested individual as presented in mainstream economics. Nevertheless, more than their implications for economics, positional concerns imply important normative dimensions. There have been presumed to be a symptom of envy, reduce people's happiness, and create problems of social interaction or economic inefficiencies. Individuals are, for instance, prone to pick states of the world that improve their relative standing, but worsen the absolute situation of everyone else, including themselves. This article offers a typology of the normative justifications for why institutions could be required to regulate positional concerns. The intent is to prove that some are more convincing than others, namely that invoking envy or subjective well-being is not fully satisfying for regulating positional concerns. More compelling reasons seem, in complement with efficiency, to be related to considerations for equality. In other words, if institutions could have strong reasons to pay attention to and regulate positional concerns, it would be in virtue of their impact on the social product and individuals' conditions of living.*

**Keywords:** *Efficiency, envy, equality, justice, life satisfaction, positional concerns, public institutions, regulation, status*

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33 This research benefited from the support of the Social Sciences of Research Council of Canada from 2008 to 2010 (grant number: 756-2008-0149). This article, or some early versions of it, benefited from the useful comments of Kasper Lippert-Rasmussen and two anonymous referees of the *Central European Journal of Public Policy*. Any remaining error remains authors' own fault.

Central European Journal of Public Policy

Vol. 7 – № 2 – June 2013 – pp ??

ISSN 1802-4866

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In a well-known experiment, participants were asked to choose between two hypothetical worlds (Solnick & Hemenway, 1998). In world A, they earn \$50,000 per year, while the other habitants of the world make \$25,000. In world B, they earn \$100,000, and the others receive \$200,000. More than half of the respondents picked world A. Similar experiments gave similar results in different countries (Carlsson, Gupta, & Johansson-Stenman, 2009; Powdthavee, 2009; Solnick, Hong, & Hemenway, 2007), demonstrating that individuals care about their rank in the income distribution, i.e., their relative income (Duesenberry, 1949).

Furthermore, this experiment and others suggest that individuals are led by positional concerns, i.e., their position in the distribution of money, goods, positions, honours and status (Frank, 1999, pp. 162–165). In various contexts, individuals are motivated by their relative situation – their *positional* concerns – rather than by their absolute one, which challenges the view, articulated by neoclassical economics, of agents who only pay attention to their absolute situation when evaluating their well-being (Mason, 1998). The rational choice for individuals, according to mainstream economics, would be to choose B over A, i.e., an income of \$100,000 instead of \$50,000, since they would then be absolutely better off. However, experiments like “the two worlds” indicate that individuals prefer an absolutely worse situation for everyone if they are relatively better off.

The two worlds experiment and other studies in psychology, sociology and economics show that individuals care about their relative standing (i.e., their standing relative to others) in the distribution of income, goods, positions, status and other symbolic rewards. Of course, not all the dimensions that are potentially positional nurture relative concerns of the same intensity (Solnick & Hemenway, 2005). Nevertheless, individuals express positional concerns: they evaluate a state of affairs in regard to their own position in relation to the position of other relevant individuals.<sup>34</sup> They care about their rank, about the ben-

34 The view followed in this paper shares similarities with the *negative interdependent preferences* view, which stipulates that individual preferences do not only include independent preferences (i.e., self-concerned or egoistic), but also interdependent ones (i.e., one's satisfaction depends on the satisfaction of other individuals) (Pollak, 1976; Sobel, 2005; Zizzo, 2003). 'An economic agent has interdependent preferences when her utility depends not only on her payoff but also on that of other agents. This interdependence can be positive (say, because of altruism or group

efits it gives to them, but also about its intrinsic value (Frank, 2007, p. 70). The evaluative judgments regarding individual achievements are then said to be context-sensitive (Frank, 2007, pp. 33–48).

Such experiments show that individuals are eager to act upon such concerns (Torgler, Schmidt, & Frey, 2008). For instance, individuals are eager to pay to reduce other people's welfare in experimental settings (Zizzo & Oswald, 2001) or to pay significant amounts of money to gain status (Burkett, 2006), which implies lowering the relative standing of others. When acting, individuals consider not only their absolute situation, but also their *relative* position and, then, the effects that different courses of action have on their relative standing. Put differently, positional concerns are both *evaluative* and *motivational*. They are regularly presented as such in the literature on positional competition, relative standing, status-seeking and so forth. Moreover, this is the basis on which institutional regulation is advocated by, for instance, such a prominent figure as Robert Frank (Frank, 1999, 2007).

In accordance with this widespread view, this article focuses on 'positional concerns' (or 'concerns for relative standing'), and the term of 'positionality' is used in this precise sense. Consequently, positional concerns refer to the very fact that individuals consider their rank, position or status when they evaluate their situation and, moreover, act upon such evaluation. Positional concerns are context-sensitive: they are evaluative assessments of one's situation and achievements that depend on a specific social context. As such, they incorporate a strong comparative dimension with individuals as the evaluator judges relevant for comparative purposes either because they belong to the immediate environment (e.g., relatives, co-workers, friends) or to the evaluative framework (e.g., celebrities, people who belong to an envied socioeconomic category).

This article takes positional concerns seriously by accepting the aforementioned empirical results *in order to formulate a normative evaluation of the role of institutions regarding positional concerns*.<sup>35</sup> Through a critical review of the existing arguments in favour of regulation, some reasons are demonstrated to be superior to others. The idea advanced is that the most solid reasons have less to do with mental states than with inefficient uses of resources and the impact on individual conditions. Elaborating on an idea introduced by other

authors (Frank, 1999; Heath & Potter, 2004), I argue that positionality as positional concerns is harmful for people (as a group as well as individually), and this is precisely the reason why institutions should regulate it.

This article is thus a critical review of the main arguments to justify that institutions should respond to positional concerns through regulation. These arguments are sorted into four categories. (1) An initial case for regulation may be built by assimilating positional concerns to envy and, then, proving that envy is morally bad. Regulation is justified as long as institutions are demonstrated to have a responsibility to curtail any form of morally wrong action. (2) A second option is to demonstrate that positional concerns are bad for subjective well-being (or happiness) and regulation is based on the role of institutions in promoting subjective well-being. (3) A third possibility is to identify a threat to efficiency in positionality. The state can then legitimately intervene insofar as it is recognized as having a role in maximizing the allocation of productive resources. (4) The last set of arguments justifies regulation by the impact of positional concerns as dynamics and the result of such dynamics (status) on individual material conditions. In short, it relies on reasons of equality and justice.

The argumentative strategy retained in these pages relies on the widespread intuition that the badness of positional concerns lies in the fact that they express envious inclinations (1) or impair individual satisfaction (2) as a starting point. After having criticized these accounts as offering a weak, if not indeterminate, ground for regulation, the article spells out the efficiency argument, which underlines the costs of positionality as well as its structure as a collective action problem (3). Finally, it is shown that the efficiency perspective leads to taking into account the impact of positionality on people's material conditions and equality (4). To that respect, this article is original in that, in addition to presenting the first exhaustive normative analysis of the different grounds for regulating positional concerns, it claims that the strongest case possible is rooted in a combination of these last two dimensions (3 and 4).

In conclusion, the justifications for regulating positional concerns are one thing; but concrete institutional arrangements are another. The normative enquiry carried out in this article opens the door for future discussions on the best way to regulate positionality from both an empirical point of view (what are the most efficient arrangements?) and a normative point of view (which ones are the most justifiable?). This article should then be interpreted as a preliminary step toward a full theorization of the regulation of positional concerns.

identification) or negative (say, because of envy)' (Zizzo & Oswald, 2001, p. 40). This conceptual proximity provides an opportunity to develop a normative analysis that covers most of the literature on the topic.

<sup>35</sup> Ronald Wender and Lawrence Goulder make a comparable distinction when they state that the ethical dimension of positionality is a somewhat independent concern (Wender & Goulder, 2008, p. 1980).

## ENVY

Positional concerns are commonly ascribed to or identified with envy (Grolleau, Mzoughi, & Sutan, 2006; Kolm, 1995; Matt, 2003), the latter motivating the former.<sup>36</sup> But, more than a causal explanation, the badness of positional concerns is, according to this set of arguments, precisely that: to be led by something that is (or looks like) envy, prompting intuitive negative judgments.<sup>37</sup>

*Envy (livor) is a propensity to view the well-being of others with distress, even though it does not detract from one's own... Yet envy is only an indirect malevolent disposition, namely a reluctance to see our own well-being overshadowed by another's because the standard we use to see how well off we are is not the intrinsic worth of our own well-being but how it compares with that of others. (Kant, 1996, II §36)*

People envy others in a broad array of dimensions: achievements, endowments, social recognition, spouse attractiveness, etc. (Elster, 1985, p. 50).<sup>38</sup> This set of arguments has it that envy is the driving force behind relative concerns (Solnick & Hemenway, 1998, p. 374), and it explains why individuals prefer a world where they are relatively better off while everyone is absolutely worse off. This explains why, during lab experiments, people are prone to pay to reduce other participants' welfare (Zizzo & Oswald, 2001). Positional concerns are the interpersonal manifestation of the emotion of envy.

The statement that positional concerns are expressions of envy may be true or false. But, the problem does not lie therein. Even if proof is produced that envy explains positional concerns *on empirical grounds*, supplementary reasons are needed for why envy is bad *on moral ones* in order to legitimize regulating positionality. Three characteristics of envy may serve this purpose: (1.1) envy is inherently bad; (1.2) envy corrupts moral character; and (1.3) inasmuch as envy compels people to adopt antisocial behaviour, it compromises some of the benefits that a well-functioning society should produce. This last version shifts the focal point from the inherent badness of positional concerns to its consequences, introducing the forthcoming sections.

## An Intrinsic Evil

The moral condemnation of envy as being bad in itself is attractive because it matches moral intuitions that are commonly shared. Parents teach their children not to envy because it is bad, period (Hunt, 1997, p. 239). As Aristotle expresses it in the *Nicomachean Ethics*, 'not every action nor every passion admits of a mean; for some have names that already imply badness, e.g. spite, shamelessness, envy...for all of these and suchlike things imply by their names that they are themselves bad...' (1107a 11). In the same vein, the Decalogue prohibits 'coveting' others' property (Exodus 2:17).

The argument that derives the badness of positional concerns from the intrinsic evilness of envy is articulated around a moral baseline and a political conclusion. The moral part is to affirm that (a) positionality is an expression of envy, (b) envy is bad, and thus (c) positionality is bad (Hunt, 1997, p. 238). Then comes the political part: (d) since institutions have a *prima facie* obligation to regulate bad behaviours or intentions, (e) they face the obligation to regulate envy. Even if we accept the (controversial) premise (a), there are reasons for remaining sceptical about the complete argument for the very reason that something might be inherently bad, wrong, or whatever, without implying for institutions a *prima facie* duty to intervene, which undermines (d) and (e).

An argument stipulating that X is bad in all situations because it is inherently so and, then, that this badness justifies regulation faces two challenges. Firstly, X could be inherently bad without implying any obligation for institutions (e.g., in cases of lying, cheating on your spouse, etc.). The absence of an obligation to intervene lies in the discontinuity between personal and public commitments. The division between the private and public spheres expresses this discontinuity. For instance, most of us have the intuition that cheating or lying is objectionable most, if not all, of the time. But this judgment is different than the normative requirement for institutions to hunt down all forms of cheating and lying.

Secondly, X could be "not that bad" all the time. Some of its consequences might not be so, or it may be conducive to outcomes that are less detrimental than an alternative Y. Consequently, X's intrinsic badness may not be sufficient, as X may not be bad all things considered. For instance, envy might incentivize people to work harder which is ultimately beneficial for society because it raises aggregate output (Buchholz, 2011). Applied to positional concerns, the intrinsic badness argument is insufficient to justify regulation. To do so, it should be proved that, beyond representing a bad, positional concerns also produce consequences that, *ceteris paribus*, remain negative. In other words, the case for regulation should be based on a critical evaluation of the conse-

36 If not strictly attached to positional concerns, envy is identified with more general social comparisons (Celse, 2010).

37 On the abusive assimilation of envy to its negative consequences, read Tai, Narayanan and McAllister (2012).

38 Helmut Schoeck provides a historical overview of the concept of envy in philosophy (Schoeck, 1966, pp. 160–192).

quences of specific kinds of social behaviour (those which are supposed to be driven by envy/positionality).

### A Shortcoming of Moral Character

The first circle of consequences bears on individuals. The argument might be framed as follows: envy is bad because it is bad for those who resent it. However, one may object that envy is actually beneficial for individuals as a useful signal informing them that they fall behind in the competition for essential resources (Hill & Buss, 2008). According to this argument, interpersonal comparisons (of achievements, income, etc.) are helpful for maximizing one's survival and reproductive performance. Envy signals to a given individual that he should invest more effort and resources into competition.<sup>39</sup> The valuable effect would be to incentivize individuals, enhancing their evolutionary fitness.

Nevertheless, it is possible to acknowledge the role played by envy for evolutionary purposes while denying any positive moral content to it. If survival constituted a relevant moral argument, killing competitors or stealing their property would be justified. As it is difficult to accept such outcomes, the survival rationale allows serious exceptions. The argument may then be reframed as follows: whatever its evolutionary role, envy is still a bad emotion because it corrupts an individual's character (Van Hooft, 2002, pp. 141–142).<sup>40</sup> Positional concerns are the concrete manifestations of a moral character perverted by envy, and this mere fact justifies the intervention of institutions.

An immediate reservation arises: envy as a perversion of the moral character may lead either to curbing positional concerns or to doing absolutely nothing. It generates unclear political guidelines. If the problem lies in an emotion related to what other people do or are, i.e., if the badness lies first and foremost in an inner mental state, it could be argued that it is a sad story for the envious, but institutions cannot do much against it. Furthermore, if experiencing envy is the sign of a crooked moral character, one may then judge that the source of the problem is the envier, not the envied or the situation (e.g., in

terms of the distribution of resources, opportunities or discrimination).

As I might envy your car for no morally relevant reason, you might also envy that I got promoted only because I am the son of the boss. Envy alone does not provide sufficient indications about the moral significance of a given situation or course of action from an institutional point of view. Envy does not help to sort out situations or actions according to their moral relevance. Robert Nozick provides an illustration. When elaborating on the '*strangeness* of the emotion of envy', he asks: 'Why do some people *prefer* that others not have their better score on some dimension, rather than being pleased at another's being well-off or having good fortune; why don't they at least just shrug it off?' (Nozick, 1974, p. 240) Describing 'some people' as envious suggests that others are not. 'Some people' suffer from a defective morality while others do not. It suggests that the problem is with the very individuals who resent envy, their moral psychology, preferences or something else, and not with the environment they face. In brief, it points to locating the source of the problem within certain individuals, their psychology or moral motives.

Political consequences are not trivial. Envy as a sign of moral failure furnishes reasons for opposing equality and egalitarianism by incriminating the envious (Cooper, 1982). Turning envy into a problem of moral character suggests reliance on a "blame the envious, ignore the injustice" kind of rationale. On the one hand, it supports the *status quo* regarding social hierarchy, inequalities or prejudices since the worse-off are always on the envier side as a matter of fact. On the other hand, it adds insult to injury in those cases where envy flows from more than a simple, gratuitous and irreprehensible need to have more than others, i.e., when it is created by real prejudices. Far from expressing a moral defect, envy signals the existence of injustices.

David Hume attributes this signalling function to resentment, which is a sentiment close to envy. This form of envy is positive since 'it draws the attention of those in power to those who are excluded' (La Caze, 2001, p. 39). In some situations, 'undeserved' advantages are the reasons for feeling envious. On other occasions, envy is morally neutral (e.g., envying a lottery winner). So, an argument based on envy alone as a justification for or against intervention is probably too thin to neatly demarcate brute envy from legitimate resentment (Ahier & Beck, 2003; Rawls, 1999, pp. 467–468). Separating normatively relevant situations from those that are not requires a close investigation, in each case, of the conditions under which envy took birth (conditions of appropriation, rules of exchange, etc.).

To conclude, moral judgments that are grounded on an intrinsic rebuttal are torn between over-inclusion – all manifestations of envy/positional concerns appeal for regulation – and under-inclusion – manifestations of envy/

39 For a pop account of this argument, read Buchholz (2011, p. 19).

40 Not developed here is the kind of position adopted by Justin D'Arms and Daniel Jacobson, who claim that 'every sentiment has some instances which descry genuine and distinctive forms of value (such as the funny or the shameful). This is true not only of the more attractive cases but also of several emotions philosophers often reject as vicious, including disgust, envy, and jealousy' (D'Arms & Jacobson, 2006, p. 100). This position, by searching for positive normative features within emotions even intuitively detestable, tackles the idea of the inherent badness of envy. Consequently, it defends the moral relevance of envy, whereas I make the point that the moral relevance of *positionality* lies somewhere else than in *envy*.

positional concerns are irrelevant for public purposes. In order to avoid giving too much moral weight to wild expressions of jealousy and envy or, on the contrary, removing from the radar real prejudices, it may be preferable to shift the framework to normative valuation.

### The Social Impact

A third version of the envy argument emphasizes the deleterious effects of envy on social cooperation. The legitimacy of intervention becomes conditional on the actual impact of envy, not on any assumption about its inherent nature. As expressed by Marguerite La Caze, this argument ‘does not show that envy is harmful in itself’ but ‘it shows that sometimes envy may lead some people to act badly’ (La Caze, 2001, p. 42). In this case, the wrongness lies less in the motives than the outcomes, (e.g., reduced willingness to cooperate (Axelrod, 1984, p. 110), disrespect for laws and regulations, suboptimal social interactions (Heath, 2001, p. 11), etc.).

Another, empirical, reason advocates for shifting the scope of the normative evaluation from the sentiment itself to the effects it generates. While envy is present in many instances where positional concerns are expressed, it is not involved in all of them: there could be positional concerns without envy. For instance, the competition among parents to send their children to good schools (i.e., ones above the average) is not driven by the envy of what others have but by the desire to maximize the future opportunities of their children.

*The conventional wisdom holds that concerns about relative position amount to no more than vicious envy and are therefore not to be given any weight in public policy decisions. But although positional concerns may often entail envy...they could be strong even in envy's absence. (Frank, 1999, p. 145)*

Frank underscores two important points. Firstly, people could manifest positional concerns and suffer from positionality even in the absence of envy, which makes the case for regulation. Secondly, the assimilation of positional concerns to envy explains the common-sense judgment that envy, and so positionality, should not be given any kind of influence on public policy.

Whether envy is involved or not in specific actions or situations has little moral significance since it is the consequence of envy that is detrimental, not envy *per se*. A more solid ground for regulation is constituted by the effects of positionality. This advocates for shifting the focus from envy as a sentiment to the consequences of positional concerns. Instead of grounding the case for regulation on emotions, it promotes paying attention to the effects of something

that may be envy or something else, which is incarnated into context-sensitive behaviours that are (individually and collectively) detrimental.

### SUBJECTIVE WELL-BEING

A second set of arguments identifies in positional concerns a threat to individuals’ subjective well-being (SWB thereafter).<sup>41</sup> Positionality is bad because it propels negative mental states (or lessens positive ones). Striving for relative standing or having a lower rank in the distribution of specific materials and symbolic goods hampers one’s happiness. This becomes the main reason for regulating positionality.

#### Life Satisfaction

A large body of work in economics of happiness mainly supports the claim that positional concerns undermine life satisfaction, most notably Richard Easterlin’s ground-breaking research that finds an absence of marked correlation between economic growth and happiness (understood as life satisfaction) in many countries (Clark, Frijters, & Shields, 2008; Easterlin, 1973, 1995; Frey & Stutzer, 2002). According to Easterlin and others, during the post-war period, self-reported levels of happiness (which is mainly self-reported life satisfaction) stagnated in countries like Japan and the United States. Various authors posit that positional concerns explain this lack of correlation or, even, cause the stagnation of happiness (Frank, 1999, pp. 120–121; Layard, 2005; Solnick & Hemenway, 1998, p. 375).

The connection with relative standing is the following. In countries beyond a certain threshold of economic development (around 15,000 US dollars per capita in purchasing power parity, in 1995) (Frey & Stutzer, 2002, p. 10; Inglehart & Klingemann, 2000, p. 168), individuals massively invest their resources in positional goods, i.e., goods demanded for their extrinsic characteristics (i.e., capacity to signal one’s status). While during the early stage of economic development, individual consumption is mostly made of basic commodities (whose contribution to one’s satisfaction depends on absolute level of consumption as long as the satiety threshold is not crossed), economic growth fosters positional concerns and the consumption of goods that are demanded for their extrinsic characteristics (Hirsch, 1976).

41 SWB is a composite indicator that tracks positive affects, negative affects and life satisfaction (Landes, 2013; Pavot, 2008).

Because the satisfaction that a given individual extracts from status or positional goods depends on the restricted access to scarce goods or positions, such satisfaction is not accessible to everyone. High positions only make sense if low positions exist. The point is the same with taste (Bourdieu, 1979). For people to be recognized as having refined taste, it is necessary to distinguish oneself from people with bad taste. The rise in satisfaction for those who have access to positional goods or top positions may therefore entail a decrease in satisfaction for those who do not have access to such goods or positions. Ultimately, it might be argued that the positional economy entails a zero-sum game: some participants' gains being balanced by the losses of others (Hirata, 2011, p. 45).

So, according to this argument, positionality as positional concerns or mediated through the consumption of positional goods (goods that are demanded for their capacity to signal one's position/status vis-à-vis scarcity and social standards of consumption) undermines the well-being of consumers. They will suffer from psychological harms that they impose on each other. In that respect, positional concerns, directly expressed or mediated through positional goods, call for regulation.

### The Contention with Subjective Accounts

Indeed, SWB (or happiness or life satisfaction) does not offer strong support for public policy for similar reasons as the ones related to envy.<sup>42</sup> For instance, suitable life partners are "goods" subject to congestion because they are limited in number. Thus, they have the characteristics of positional goods. Imagine now that your wife or your husband makes such a deep impression on me that the comparison with mine makes me feel miserable. Obviously, it impairs my happiness. However, would it give institutions any legitimacy to force you to share your wife or your husband with me or to compensate me? As for envy, it might be argued that institutions must interfere not in your life, but in mine, by enrolling me into some psychological support programme, for instance. This illustrates two points.

(1) Invocation of happiness (or another similar mental state and subjective evaluation), without any further qualification, could lead to a subtle form of moral blaming. Its subjectivist nature exposes the SWB argument to the same critique as envy. In both cases, a collective issue is transformed into a personal one. By isolating the problem within the individual, it is suggested that is the

problem lies in the person who suffers from displeasure, loss in SWB or whatever (Midlands Psychology Group, 2007). In other words, if you feel unhappy or unsatisfied with the achievements of others, it might be because of your mind-set, not because there is something objectionable in other people's actions or the current state of the world.

(2) Another defect follows from apprehending the badness of positionality through SWB, which, again, mirrors the envy approach (i.e., it only takes an envious individual to generate a moral issue, as it only takes an individual to experience a drop in SWB). The focus on mental states renders it difficult to discriminate cases where intervention is justified from those where it is not. It is not because institutions have a metric that could represent a valuable dimension of human life (SWB) that regulation would be justified. For instance, it is not because racists are displeased by the sight of interracial couples that institutions must intervene (Nussbaum, 2010, pp. 107–108; Young, 1987, p. 262).

An aggravating factor may be the extent to which positional concerns are actually hard-wired in the brain. Evolutionary theory offers convincing reasons to believe that human psychology is a favourable environment for the proliferation of feelings and emotions that are based on interpersonal comparisons (Smith, 2008). So far, it supports arguments against grounding public policies on envy, SWB or feelings. Basing regulation on mental states is too expansive because it includes all sorts of demands, some conflicting with some commonly shared intuitions about the proper scope of institutions. (Should my neighbour's opportunity to buy an SUV be suppressed, or should I get compensated on the grounds that it could be a threat to my relative standing and my well-being?) In other words, it could open a Pandora's box of mutual recriminations. Indeed, the subsequent step taken by authors like Nozick – positionality should not be taken into account by institutions – is too extreme. Positionality could matter on moral grounds, but not for the kind of reasons mobilized above.

In sum, the case for regulation is weak if limited to mental states. On the one hand, it does not offer clear guidance about where to situate the wrongness, which can lead to discarding legitimate concerns, about fairness of various states of the world, for instance. The view that stipulates that the experience of a negative mental state forcibly calls for redress is too broad and leads to an inflation of demands. On the other hand, how to avoid this inflationary bias without abandoning relevant claims? As shown above, if over-inclusiveness is a risk, there is also the danger of under-inclusiveness, i.e., discarding legitimate concerns about relative standing. Some guidance could be found in considering the social outcomes of positionality, activating the Millian principle that justifies regulation to compensate or block harms done to others (Frank, 2008).

<sup>42</sup> This paper does not intend to definitively debunk appeals to mental states, but to present important objections to such approaches.

*(T)he only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others. His own good, either physical or moral, is not sufficient warrant. He cannot rightfully be compelled to do or forbear because it will be better for him to do so, because it will make him happier, because, in the opinion of others, to do so would be wise, or even right (Mill, 1859, p. 22).*

Self-inflicted harms or one's reduced happiness cannot call for regulation, according to Mill. Regulation can only be grounded in concrete harms inflicted on others. The Millian principle is no magic wand, though. Various potential harms should be compared and weighed against each other to define the proper scope and entry points for regulation. The forthcoming sections focus on this specific question.

Like for envy, SWB does not seem sufficient or even necessary (for instance, when people do not fully realize that their condition is undermined by positionality) to legitimate regulation. In that respect, two new dimensions emerge. One has to do with the product of social interaction (cooperation, competition, etc.), whereas the other has to do with the manner in which this social product is used and distributed. Positional harms involve serious disruptions in the creation or distribution of social wealth, implying that there are both efficiency and equality dimensions.

## EFFICIENCY

Some authors identify the problem as one of efficiency (Frank, 1999; Heath & Potter, 2004). From a moral point of view, the fact that people experience envy or a decrease in SWB due to positional considerations is secondary in comparison to the waste of individual and social resources. The point is not that people's well-being does not matter, but that material conditions have priority over subjective accounts. If institutions should be concerned with positionality, first as a process (positional concerns themselves) and then as a result (the distribution of positions), it is because of its impact on the creation and repartition of resources, because 'we seem not to be spending our money in the ways that would most promote our own interests' (Frank, 1999, p. 95). This issue underlies this whole section: *positionality represents a threat to collective and individual interests, which justifies regulation.*

## Individual and Collective Costs

The results of the two worlds experiment are relevant for the efficiency argument. A majority of participants prefer a world where everyone is absolutely worse off (while the participants are relatively better off) to another where everyone is absolutely better off (while the participants are relatively worse off) in monetary terms. Each member of the hypothetical society could have been better off if they had cared less about their relative standing than about their absolute situation.

Economists usually rely on the Pareto optimum (a state of the world is optimal if it is impossible to improve the situation of one agent without deteriorating the situation of another one) to evaluate the efficiency of different courses of action or states of the world. From this perspective, the two worlds experiment leads to suboptimal outcomes since it is possible to improve the material situation of at least one agent without worsening the situation of another agent. Inefficiency comes into play at two mutually reinforcing levels. It impairs individual conditions while reducing the collective resources available for financing public goods.

At the individual level, positionality implies that the outcomes people extract from consumption driven by relative standing depend on the amount of resources invested by their 'competitors' (Frank, 1999; Hirsch, 1976). Since the dynamics are the same for everyone engaged in positional competition, and everyone's achievements are negatively correlated with others' investments and achievements, the incentive is high to try to outbid competitors, which raises the standards for everyone.

If people get promoted at work in direct relation to the amount of work accomplished, and if positions are restricted in number, then the more a given employee works, the more his colleagues interested in the promotion must increase their work hours. In the end, everyone raises their workload standards without basically changing the output. If all competitors increase their work by the same amount, it is the same person who will be promoted anyway: the most brilliant one.<sup>43</sup>

Frank identifies this dynamic in the social standards of consumption and the common individual imbalance between positional (work, consumption) and non-positional activities (leisure, family, friends, sleep). By spending or

43 Competition is without a doubt a necessary condition for innovation, gains of productivity, emulation and, in the end, an increase in collective wealth. Nevertheless, the discussion here has less to do with competition *per se* than with some of its pathologies (namely, positional externalities).



working too much, individuals produce negative positional externalities (negative externalities are costs imposed on agents who were not part of the initial market transactions and, so, have not benefited from a given transaction but still carry part of the cost, e.g., pollution).

According to Frank, the positional problem is first and foremost a consumption problem, where the scale of consumption, as well as the kind of goods consumed (positional), creates positional externalities. 'A positional externality occurs when new purchases alter the relevant context within which an existing positional good is evaluated' (Frank, 2008, p. 1777). The context of choice is altered by the rise of spending standards (for gifts, clothing, electronic home equipment, appropriate summerhouse, fancy vacation destination, etc.).

The dynamics are global. Due to a process of imitation, socioeconomic categories tend to replicate the spending patterns of the income category just above them, nurturing 'expenditure cascades' (Frank, 2007, pp. 49–65).<sup>44</sup> The externalities, which have to do with the competitive and spending environment (the context of choice), impact individuals in an inescapable way because 'an increase in someone's relative status automatically translates to a decrease in the relative status of (at least some) others in the relevant reference group' (Heffetz & Frank, 2008, p. 6).

This 'positional treadmill' – the 'process by which each person strives to gain advantage, but since all are trying to go ahead, all remain in the same relative position' (Solnick & Hemenway, 1998, p. 375) – entails significant costs for individuals. Time, effort and money are invested in positional races while they could have been used to pursue more individual and collective ends. For instance, low socioeconomic status groups, even in developing countries (Van Kempen, 2009), devote too many resources to conspicuous consumption at the expense of education, health or food.<sup>45</sup> This pattern is noxious. It undermines people's current and future prospects because they have fewer resources for pursuing non-positional but vital ends.

Positional concerns have also collective consequences. Individuals resent their contribution to public infrastructures (roads, bridges, railroads, hospitals, schools, etc.) as handicapping them in the current positional competition.

*To pay for larger and more elaborate consumption goods, we must devote fewer resources to other things...Paying for luxury consumption has also meant having to curtail spending in the public sphere. Apart from high rates of increase in public spending on medical care and income transfers for the elderly, the past two decades have been a time for across-the-board retrenchment in public goods and services of all sorts (Frank, 1999, p. 53).*

If positional competition is detrimental, why don't individuals drop out? Why is regulation necessary? One might acknowledge such effects and, at the same time, deny institutions the legitimacy to curb positional concerns and competition. Despite the deriving costs, it might be argued that individual decisions to engage and stay in positional competition are genuine because the individuals get psychological and material rewards out of them. This is mostly an empirical question, falling partly outside the scope of *normative* evaluation. But, it should be recognized that the current evidence on the deleterious effects of positional concerns and competition on individual well-being supports an at best neutral, but more likely negative, vision of positionality.

More importantly from a moral perspective, the property rights that are enshrined in all the constitutive texts of liberal democracies guarantee to all citizens the right to destroy (or waste) their own property (in Roman law, *jus abutendi*).<sup>46</sup> It might be claimed that such a right has precedence over any regulatory consideration (especially if it could be demonstrated that the concept of 'waste' is loosely defined in the case of positional externalities). If people decide to waste the resources that they have legitimately acquired on positional races, nothing should prohibit them from doing so.

This raises two sets of issues: (a) one about the consequences and (b) another about the conditions for exercising the right to destroy one's property.

Regarding (a), when determining the strength of rights, the manner in which individuals use them has normative implications. For instance, one cannot use or waste one's property in a way that is harmful to others (e.g., by burning toxic chemical waste in one's courtyard). The use of objects determines the moral and legal force of this specific right. Hence, the core of the issue is to determine how harmful positionality is.

Concerning (b), it is commonly accepted that to be entitled to exercise a given right, the bearer should be in an adequate position to do so, which means that she should be autonomous (i.e., have the necessary cognitive abilities to consent), have access to the relevant information to give what medical

<sup>44</sup> For a description of this phenomenon in the United States in the 1990s, the reader may refer to Juliet Schor's *The Overspent American* (Schor, 1998).

<sup>45</sup> An explanation is that low-status (income) individuals operate a trade-off between the utility of the goods consumed and their capacity to improve one's status. While high-status people would tend to favour the quality (utility) of the objects they consume, low-status people would prioritize their signalling features (Rucker & Galinsky, 2009).

<sup>46</sup> For a debate about the content and extent of such a right, see Edward McCaffery (2001) and Lior Strahilevitz (2005).

ethics qualifies as ‘informed consent’ and not be subject to pressure or manipulation. From this perspective, the fact that positionality implies a *collective action problem* under the form of a prisoner dilemma challenges the conditions of the exercise of the *jus abutendi*.

The problem with positionality is that it frames a context of choice that traps individuals into unhealthy consumption patterns. Comparison may be drawn with an arms race (Frank, 1999, pp. 150–158). As in an arms race where rivals cannot drop out of the competition if they want to keep a fair ability to dissuade aggression (Dixit & Nalebuff, 1993, p. 13), positional competition is necessary for securing social recognition (Veblen, 1994, pp. 19–20) and other advantages (e.g., high-quality education, networking, etc.).<sup>47</sup> People cannot avoid positionality and are unable to enforce local and freely negotiated solutions because their incentive to defect is too strong (Elster, 1985, p. 139).

In conclusion, intervention is legitimate because of (1) individual patterns of overspending, (2) the impact of externalities created by these patterns on an individual’s ability to lead a satisfying life, (3) the collective misallocation of resources (people tend to contribute too little to public goods), and (4) the impossibility of enforcing private solutions due to prisoner’s-dilemma-like positional competition. Notwithstanding the costs and externalities dimension, the efficiency argument has an additional advantage. Instead of situating the core of the issue in envy, defect of the moral character or SWB, it identifies the problem as one of collective action: the wrongness of positionality has more to do with the context of the decision it frames than, for instance, human psychology. Due to the force of incentives, the context of choice often overrides even the best intentions and thus raises the issue of regulation.

## The Context of Choice

Positional competition looks like prisoners’ dilemma, i.e., ‘situation in which there are gains from cooperation...but each player has an incentive to “free ride”...whatever the other player does’ (Osborne, 2003, p. 13). Being less concerned with status does not help when searching for a place for one’s children in a top school or trying to get a permanent position at a university. If one wants to give the best chances of success to her offspring, she has to compete

47 One example is the competition to live in a neighbourhood with good schools. In a lot of countries, the place where parents live determines to which school they can send their children (either because it is a requirement under a public schooling system (school zoning) or for commuting reasons). The consequence is an overbidding process among parents to rent or buy a home around such schools, which translates into a premium. For instance, it was evaluated at approximately 5% of the value of real estate in Paris (Fack & Grenet, 2009).

with other parents.<sup>48</sup> The same goes if one wants to secure her material conditions and have a decent academic career. She should publish more than her colleagues (Landes, Marchman, & Nielsen, 2013). In both cases, it explains why people have good reasons to be concerned by positionality: one’s position matters for a broad array of life outcomes (e.g., having a stimulating job, mating, giving the best opportunities to one’s children, and so forth).

Thus, raising people’s awareness is not likely to lessen positional competition because positional concerns stem from the context of choice. It is the reason why approaches that advocate for ‘voluntary simplicity’, advancing the idea that individuals should lower their expectations for limiting positional competition, do not offer workable solutions (Heath & Potter, 2004, p. 256). The ‘voluntary simplicity’ view is endorsed by Schneider when he agrees with Stoicism that status inferiority should not be ‘feared’ or ‘despised’ (Schneider, 2007, p. 78), or De Botton when he considers that ‘we should surrender our puerile concern for policing our own status...in order to settle instead for the more solidly grounded satisfactions of a logically based sense of our worth’ (Botton, 2004, p. 129).

The view I defend here is that unless the rules of the game (i.e., the context of choice) are changed (e.g., consumption taxed at an incremental rate, less exposure to publicity, regulation on extra hours worked, etc.), no significant improvement is to be expected. The efficiency argument suggests that, since it is not only a story of pure status-seeking for the sake of it, voluntary simplicity offers little grip on the situation. Positional harms are not limited to a deprived sense of self-worth. They imply restricted life options or undermined material conditions, i.e., real costs. Shielding oneself against positionality is more complex than not paying attention to status, not caring about others’ opinions or pursuing more self-centred and fulfilling goals. Positionality induces real harms that should be the focus of institutions precisely because the avoidance of such harms is one of the main factors determining the strategy adopted by players in positional games.

In sum, the efficiency argument shows that (1) positional concerns are to some extent counterproductive at both individual and collective levels, and (2) individuals are trapped into positional competition. It emphasizes the salience of the context of choice and its impact on material conditions. Implicitly, the efficiency argument underscores the dual dimensions of positionality: as a dynamic fuelled by the context of choice, but also as the context of choice itself, i.e., the segmentation of the social space in classes and groups. In any case, this

48 Parents’ positional concerns for their children have been documented in several studies, especially cross-cultural ones (Solnick et al., 2007).

section suggested that positional concerns conflict with people's basic interests, i.e., their capacity to pursue their conception of the good without harming others, which calls for regulation. But to forge a stronger case, it is necessary to look into a last set of arguments.

## EQUALITY AND JUSTICE

The fourth set of justifications is intertwined with efficiency: concerns for relative standing do not only yield suboptimal outcomes, but they also threaten people's material conditions, their capacity to realize their conception of the good and their health. They endanger individuals' fundamental interests. As such, positionality highlights egalitarian considerations in two complementary ways: through the 'status syndrome' (Marmot, 2004) and by affecting individuals' material conditions. The first is related to the *outcome* of positional concerns, namely, relative standing, whereas the second focuses on the *dynamics* that lead to such an outcome, so positional concerns proper.

### Status Syndrome

The first factor does not relate to the dynamics initiated by positional concerns (status-seeking), but to their results (the distribution of positions or status resulting from a competitive process). It provides some clues as to why people may have sound reasons to worry about their relative standing and act to improve it and, in the end, why institutions should also be concerned by positional concerns and their outcomes.

Basically, the research on the social determinants of health (CSDH, 2008; Marmot, 2004; Wilkinson, 2000; Wilkinson & Pickett, 2010) shows that the lower the status of a person, the more likely she is to face stress-related pathologies, such as ischemic diseases or psychopathological disorders. In short, 'there is a social gradient in health in individuals who are not poor: the higher the social position, the better the health' (Marmot, 2006, p. 1304). In itself, relative standing is a powerful factor of health inequalities, impacting individuals' health and life expectancy. This importance is precisely what could explain the strength of individual positional concerns.

Two questions emerge, which, despite an empirical blend, convey a normative dimension. First, *do individuals suffer from their relative standing proper or from some underlying factors (that could be indirectly related to status)?*

Take workplace relations. A sizable portion of individual contentment and social recognition in industrialized societies flows from one's occupation. In

that respect, health inequalities can result from three sources, among others: (a) asymmetries of power; (b) lack of autonomy and (c) discrimination.<sup>49</sup> The point is not to deliver a causal analysis of status, but to underscore latent factors, which have been at the heart of reflections in political theory.

(a) Employees could suffer from abusive superiors. The stress originates from interacting with people who have the power to arbitrarily interfere in other people's lives.<sup>50</sup> The solution is to impose strict control on the exercise of managerial prerogatives. (b) People can also suffer from a lack of autonomy, which usually translates into acute feelings of helplessness (Martinko & Gardner, 1982; Seligman, 1975). To remedy that, employees' control over their work environment and the attribution of tasks ought to be improved. (c) People could be subject to discriminatory judgments or practices that may damage their self-esteem and self-confidence and reduce their opportunities. The problem is then one of a frail sense of self-respect (Rawls, 1999, p. 386).

In the end, disparities in health could spring from unequal standing in work conditions and a lack of autonomy. The difference with the thesis stipulating that status creates health inequalities is that it requires a step backward in order to isolate the underlying factors of health inequalities, and this backward evaluative movement has institutional implications.

Instead of correcting status by, for instance, levelling all hierarchies or structures of distinction (the feasibility of which could be questioned), institutions may focus on some root parameters (protection against hierarchical abuse, preservation of employee voice, work autonomy, antidiscrimination). In that sense, status becomes an indicator of potential exposure to deeper injustices or vulnerabilities. Whether it is status *per se*, the quest for status nourished by concerns for relative standing that create these inequalities or some underlying factors mirrored by status, the argument remains the same. Individuals have good reasons for being concerned with their status, and institutions should pay attention to relative standing and its effects. Because positionality as social standing deeply impacts one's life (morbidity and life expectancy), people<sup>51</sup> will not reduce their positional concerns without external

49 The importance of autonomy for individual psychological well-being has been underlined by psychological research, most notably by Self-Determination Theory (Ryan, Huta, & Deci, 2008).

50 On institutional mechanisms for preserving citizens' freedom against domination, the reader may refer, for instance, to neo-republican literature (Pettit, 1999).

51 It is not even certain that the difference of perspectives leads to radically divergent political prescriptions. At first sight, if institutions pay attention to status alone, they could be tempted to level the playing field. However, it is difficult to consider that focusing on status asymmetries could be a self-sufficient proposition, as good/secured/high status *implies* security from abuse, autonomy and protection against discrimination.

support.

The second question is the following: *do individuals with higher status end up with better health, or is it the other way around?*

Without claiming any expertise, the most sensible option is to assume that causation works both ways and, possibly, in a mutually reinforcing manner. People with better health perform better (because they are less absent from work, more productive, more resilient in front of stress, etc.) and finish with higher status than people who are less lucky in health matters. But high-status people (and their children) also end up with better health (due to higher income, better information, more control over their work, higher quality food, goods and environment, etc.). However, if health is partly the result of genetic determinants, the rest of it flows from living conditions. The same goes for people of high status since they have a secured access to a set of goods that enhance their health prospects. In both cases, it highlights some underlying factors, i.e., individuals' material conditions, and adds weight to the view that people have good reasons to care about their relative standing, and so, have little incentive to step out of positional competition.

### Underlying Material Conditions

The literature, especially on the social determinants of health, is quite clear on the detrimental effects of positionality as social standing. But this is not unrelated to the dynamics that lead to a given distribution of ranks and positions. Positional harms may be created by the result but also by the process that has led to such a result. In that sense, positional competition is damaging because it erodes individuals' access to important resources and ability to turn them into concrete achievements by nurturing patterns of overconsumption and undersaving.

Trapped in positional arms races, individuals raise their expenditures to keep up with their competitors and social standards in the pursuit of social distinction. This pressure has contributed to the recent growth in material inequalities, as well as the other way around (Frank, 2007, p. 6; Wisman, 2009). Overall, people have fewer resources for positional competition and, more importantly, for non-positional purposes. Along with cutting down on expenses like food or health, their other option is to increasingly rely on credit, which produces further (self) harms (reduced future resources, an unbalanced financial situation, personal debts or bankruptcy, etc.).

This is ultimately an argument about the loss of efficiency suffered by individuals when they try to maximize their welfare. But it is also an argument about inequality, which incidentally reinforces the previous point. Three sets of

considerations based on equality and justice could support the idea that the increase in spending driven by positional concerns calls for regulation. The first relates to the value of equality for current decision makers (i.e., adults). The second concerns trans-generational justice. The third relies on the instrumental value of equality (for efficiency purposes).

The first argument relies on the value of equality *per se*. The ideal of equality is so central in industrialised societies that it obliges institutions to intervene to suppress most inequalities and injustices and also to intervene in the positional dynamics that create some of these inequalities. It is a question of respect for citizens since institutions should not let individuals undermine their material conditions. Regulation would be obligatory due to the cognitive defects from which individuals suffer and that jeopardize their ability to identify the constituents and means of their well-being. Recent research in experimental psychology and economics on cognitive biases, heuristics and miswanting offers empirical support to such a claim (Ariely, 2008; Gilbert & Wilson, 2000; Stanovich, 2009; Tversky & Kahneman, 1974).

One may nevertheless object that this argument grounds regulation on the unacceptable premise that individuals do not perceive their own good (or, at least, that institutions are in a better position to do so). This assumption would be unacceptable because it would violate a fundamental principle of liberal democracies, namely, respect for people and their capacity to endorse a conception of the good that they make their own (Dworkin, 2002, pp. 216–217).

The objection nevertheless misses the point: individuals do not suffer from positionality because they are not aware of it but because they cannot escape from it. The argument of the intrinsic value of equality does not require positing that individuals are not capable of discerning their good, only that they are handicapped in pursuing it. Individuals know they work, spend, and care about their relative standing too much, but they also know that appearances, external signs of success and status matter for various purposes (dating, getting a job or a promotion, networking, and so forth). They are sensitive to what Frank calls the 'rising cost of adequate' (Frank, 2007, p. 49). More generally, they are conscious of the importance of relative standing (not simply because they would be envious or jealous) and the high cost of non-compliance given the way that social interactions are structured. Even if they were not, they usually act as if they were. The fact that positional competition has the form of a collective action problem advocates for regulation, i.e., altering the context of choice (e.g., taxation or regulation).

The second category of justifications has less to do with current generations (in fact, current decision makers) than the next ones. If positionality may severely impair the material conditions of existing individuals, it also has an

influence on future ones since less saving on a large scale at a given period of time means less investment, most notably in public infrastructures, and less wealth in the subsequent periods. Following this argument, institutions will then have an obligation to protect the interests of the future generations. This obligation will be reinforced by the fact that as future generations have no say in the present arbitrages made by households between consumption and saving, the intervention of institutions will be required to preserve their interests.

Positionality influences the individual and collective prospects of both current and future generations. On the one hand, it lowers individual perspectives by reducing individual capital (approximated through households savings), which increases vulnerability to potential downturns, and by shrinking the resources devoted at the individual level to quality food, health, or other important purposes. On the other hand, it compromises investments in *public* schools, equipment (roads, bridges, transportation, safety systems, etc.), services (health care and prevention, education, environment, etc.) and insurance (employment, retirement, etc.).

A third set of considerations relies on efficiency, not as a valuable objective in itself, but by tying it up with equality within a retroactive loop. In numerous cases, equality is good for economic efficiency (Wilkinson & Pickett, 2010). Among other effects, it reduces crime and its related costs, increases workforce productivity, etc. (Glyn & Miliband, 1994). That renders appeals to efficiency and equality mutually supporting since efficiency reasons can also be seen as a precondition for equality. Furthermore, it strengthens the case for regulating positionality. Efficiency justifies equality and *vice versa*. The appeal to equality grounded in its contribution to society's efficiency is attractive because it represents a strong response to conservative attempts to cut into egalitarian policies and scale down public expenses. Various institutions and social arrangements are justified for egalitarian reasons and challenged for efficiency ones (e.g., public insurance). Then, by tying the two sets of reasons together and showing their reciprocal influence, proponents of state intervention could reinforce their position (Heath, 2006; Moss, 2002). In the case of positionality, a first step toward a more efficient society implies responding to inequalities.

## CONCLUSION

Positionality represents a serious social issue, not so much because it is an expression of envy or because it decreases SWB, but because it renders various social arrangements inefficient by producing positional externalities that, in turn, undermine individuals' material conditions. In short, positionality jeopardizes

social cooperation. To be perfectly clear, situating the badness of positionality in an emotional or a mental state does not confront *on moral grounds* the evidence that people's absolute situation is undermined by their inability to easily escape positional concerns.

There is a notable difference, however, between legitimating regulation and advocating for any particular policy. Since this article concentrates on mapping out various arguments in favour of curbing positionality, the question of the best means for this purpose has been left untouched (taxation on income, consumption, publicity, extra hours worked, credit control, etc.). The case has been made that, when evaluating such propositions, attention should be paid to the very reason why institutions should care about positionality in first place: its social outcomes, especially its impact on an individual's ability to lead a satisfying life.

Once this conclusion is advanced, though, there is a broad range of institutional interventions one may consider appropriate (Grolleau, Galochkin, & Sultan, 2012). The question is, of course, pragmatic in the sense that it isolates the most efficient instruments for controlling most of the negative effects of positional concerns. But, the work left is also *normative* in the sense that it is necessary to determine the most legitimate tools, from a moral perspective, to be used for such a purpose. To be sure, this combination of pragmatic and normative reflections is one of the most fascinating and underexplored areas calling for interdisciplinary discussions among specialists of economics, political theory and public policy.

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